

Message Text

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ACTION EUR-12

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INFO DA WASHDC

USNMR SHAPE

CINCUSAREUR

USCINCEUR

CHMAAG THE HAGUE

CHMAAG DENMARK

SWITZERLAND

CDRUSAMC ALEXANDRIA VA

CDRUSAMICOM REDSTONE ARS AL

USDOC WASHDC PRIORITY

C O N F I D E N T I A L USNATO 6197

E.O. 11652: GDS

TAGS: MPOL, NATO, MILI

SUBJECT: DRAGON CO-PRODUCTION IN THE NETHERLANDS

REF: A. USNATO 0559

B. USNATO 0839 DTG 141802Z FEB 75

BEGIN SUMMARY: MESSAGE SUGGESTS WASHINGTON AUTHORIZE US
PRIME CONTRACTOR (MCDONNELL DOUGLAS) TO PLACE MAJOR
PRODUCTION CONTRACTS FOR SELECTED DRAGON SYSTEM COMPONENTS
IN THE NETHERLANDS. DENMARK AND SWITZERLAND AS WELL AS THE
NETHERLANDS REMAIN STRON POTENTIAL CUSTOMERS, PARTICULARLY
IF COPRODUCTION IN EUROPE IS AUTHORIZED. ACTION REQUESTED:
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WASHINGTON AGREEMENT IN PRINCIPLE TO EUROPEAN COPRODUCTION
OF DRAGON AND REMOVAL OF RESTRICTIONS ON RELEASE OF TECHNICAL
DATA PACKAGE (TDP) TO THE NETHERLANDS, END SUMMARY.

1. IN JAN AND FEB 75 WE SUGGESTED TO WASHINGTON THAT THE DRAGON ANTITANK MISSILE APPEARED TO BE AN ATTRACTIVE CANDIDATE FOR CO-PRODUCTION IN SOME EUROPEAN NATIONS (REF A AND B). ALTHOUGH CIRCUMSTANCES HAVE CHANGED SOMEWHAT SINCE THAT TIME, WE STILL CONSIDER DRAGON CO-PRODUCTION IN EUROPE TO BE A VIABLE COURSE OF ACTION. WE NOTE WITH REGRET THAT BOTH THE FRG AND THE UK HAVE DROPPED DRAGON FROM CONSIDERATION FOR PROCUREMENT, AND THEREFORE CONSIDERATION OF CO-PRODUCTION WITH EITHER OF THESE NATIONS IS NO LONGER APPROPRIATE. THERE STILL IS A MARKET FOR DRAGON, HOWEVER, AND WE ASK THAT WASHINGTON GIVE CONSIDERATION TO THE ISSUES INVOLVED.

2. WE HAVE ESTABLISHED COORDINATION WITH REPRESENTATIVES OF MAAG'S IN THE NETHERLANDS (COL. HUDSON) AND DENMARK (CAPT. MAINS) AND ALSO HAVE DISCUSSED REMAINING POSSIBILITY FOR EUROPEAN CO-PRODUCTION IN THE NETHERLANDS IN SOME DEPTH WITH MCDONNELL DOUGLAS REP (MR HOLLERAN). WE UNDERSTAND THAT THERE IS A POTENTIAL MARKET OF APPROXIMATELY 20,000 DRAGON MISSILES AND 2000 TRACKERS FOR THE NETHERLANDS, 3,000 MISSILES AND 300 TRACKERS FOR DENMARK, AND 20,000 MISSILES AND 2000 TRACKERS FOR SWITZERLAND. PRIMARY COMPETITION, OF COURSE, IS THE FRENCH MILAN ANTI-TANK MISSILE. AT PRESENT THE MILAN APPEARS TO HAVE A COMPETITIVE LEAD BECAUSE OF CONCERTED EFFORTS BY THE FRENCH TO PLACE SIGNIFICANT INDUSTRIAL COMPENSATION ORDERS WITH DUTCH INDUSTRY.

3. IN OUR VIEW, ALTHOUGH STANDARDIZATION OF DRAGON WITHIN NATO MAY ULTIMATELY BE LIMITED TO THE US, THE NETHERLANDS AND DENMARK, THAT REPRESENTS TWO MORE NATO NATIONS THAN ARE EQUIPPED WITH IT NOW. UNLESS ADEQUATE CO-PRODUCTION ARRANGEMENTS CAN BE WORKED OUT, WE CANNOT EXPECT TO SEE DRAGON IN THE GROUND FORCES OF ANY OF OUR NATO ALLIES. IT IS OUR UNDERSTANDING THAT DANISH LAW AND BASIC POLICY IN THE NETHERLANDS REQUIRE THEIR RESPECTIVE MINISTRIES OF DEFENSE TO PROCURE ARMAMENTS ONLY FOR WHICH THERE IS ADEQUATE NATIONAL INDUSTRIAL PARTICIPATION OR EXTERNAL COMPENSATION
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AT AN APPROPRIATE LEVEL OF TECHNOLOGY.

4. MCDONNELL DOUGLAS IS PREPARED TO OFFER EQUIVALENT COMPENSATION PACKAGE TO NETHERLANDS MINISTRY OF ECONOMICS ALONG THE LINES AGREED ON HARPOON ON 6/6/75, I.E. 25 PCT OF THE MCDONNELL DOUGLAS CORPORATION (MDC) SHARE OF CONTRACT PLUS ADDITIONAL UNSPECIFIED COMMITMENTS TO RAISE THE POSSIBILITIES TO AS CLOSE TO FULL COMPENSATION AS POSSIBLE. ON HARPOON THIS WAS ACHIEVED BY DEVELOPMENT OF AN EXCLUSIVE ARRANGEMENT WITH HOLLANDSE SIGNAAL APPARATEN FOR MARKETING OF AN INTEGRATED FIRE CONTROL SYSTEM (FCS) FOR HARPOON. IN DENMARK, THE SAME RESULT WAS ACHIEVED BY DEVELOPMENT OF A COOPERATIVE PROCUREMENT PROGRAM WHEREIN ALL

QUALIFIED DANISH FIRMS WITH AN INTEREST WILL RECEIVE REQUESTS FOR PROPOSAL (RFP) FROM ALL ELEMENTS OF MDC AND WILL BE GIVEN OPPORTUNITY TO COMPETE WITH U.S. FIRMS ON PRODUCTS FOR WHICH THEIR QUALIFICATIONS HAVE BEEN ACCEPTED.

5. THE PROBLEM IMPEDING MCDONNELL DOUGLAS' IMMEDIATE NEGOTIATION OF A DRAGON COMPENSATION AGREEMENT WITH COMMODORE MELIS, NETHERLANDS COMMISSIONER OF MILITARY PRODUCTION, IS A US ARMY DIRECTIVE RESTRICTING RELEASE OF THE DRAGON TDP TO HOLLAND OR ANY OTHER FOREIGN COUNTRY. THIS RESTRICTION INCLUDES THOSE ELEMENTS OF SUPPORT EQUIPMENT FOR WHICH MDC IS SOLE SOURCE CONTRACTOR TO THE USA. AS WASHINGTON IS AWARE, THE ROUND BUY IS 60 PCT MDC - 40 PCT RAYTHEON AND THE MISSILE TRACKER BUY IS 60 PCT MDC - 40 PCT KOLLSMAN.

6. US NADREP (COL LYNCH) DISCUSSED THIS PROPOSAL WITH BOTH OASD(ISA) (GEN BOWMAN) AND ODDR&E-IP (MR. BASIL) DURING THE OCT 28-30 CONFERENCE OF NATIONAL ARMAMENTS DIRECTORS (CNAD). MR. BASIL INDICATED THAT AUTHORIZATION TO RELEASE APPROPRIATE ELEMENTS OF THE DRAGON TDP TO THE NETHERLANDS PROBABLY COULD BE RANTED. ACTION REQUESTED: WASHINGTON AGREEMENT IN PRINCIPLE TO A US/NETHERLANDS CO-PRODUCTION EFFORT IN THE DRAGON MISSILE SYSTEM AND AUTHORIZATION TO RELEASE APPROPRIATE LEMENTS OF THE DRAGON TDP TO THE NETHERLANDS.STREATOR

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USNMR SHAPE
CINCUSAREUR
USCINCEUR
CHMAAG THE HAGUE

CHMAAG DENMARK
SWITZERLAND
CDRUSAMC ALEXANDRIA VA
CDRUSAMICOM REDSTONE ARS AL
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